



Master Grocers Australia Limited

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MGA Independent Retailers

MGA Timber Merchants Australia
(MGA/TMA)

Submission to the Victorian Government

Secure Work Pilot Scheme

August 2021

MGA INDEPENDENT RETAILERS AND MGA TIMBER MERCHANTS AUSTRALIA (MGA/TMA)

1. MGA/TMA thanks the Victorian Government for the opportunity to make this submission to the Secure Work Pilot Scheme (“**the Scheme**”) on behalf of its members for the purposes of the consultation process.
2. MGA Independent Retailers (“**MGA/TMA**”) is a national employer industry association representing independent grocery, liquor, and other retail outlets including timber and hardware, in all States and Territories of Australia. These businesses range in size from small, to medium and large, and make a significant contribution to the retail industry, accounting for approximately \$16 billion in retail sales.
3. There are 2,700 branded independent grocery stores, trading under brand names such as: Drakes, Farmer Jacks, FoodWorks, Foodland, Friendly Grocers, IGA, IGA Xpress, Supa IGA and SPAR, with a further approximately 1,300 independent supermarkets trading under their own local brand names. In addition, there are numerous independent liquor stores operating throughout Australia and trading under names such as: Cellarbrations, The Bottle O, Duncans, and Local Liquor, which are either single or multi-store owners. Our members also own independent hardware stores trade under brand names including Mitre 10, Home Timber and Hardware, Thrifty Link and True Value Hardware. These stores which collectively employ more than 120,000 staff are comparatively much smaller when juxtaposed against the large supermarket and hardware chains of Coles, Woolworths, and Bunnings, which combined represent approximately 80 per cent of the retail supermarket and liquor industries and 65% of hardware industries.



4. In Victoria our 652 members – independent supermarket, packaged liquor stores and timber and hardware businesses, employ 28,000 people and transact over \$6 Billion in sales. Given the powerful and dominant nature of the competition in the supermarket, liquor and timber and hardware sectors our members operate under razor thin margins.
5. Employees in the independent supermarket, liquor, timber, and hardware sectors are generally employed on the minimum award rates set by the General Retail Industry Award 2020 and the Timber Industry Award 2010. The majority of stores that operate in the independent sector are small, independent, family owned, community-based businesses that have established themselves in the retail/hardware sector and they make a significant contribution to the economy. These businesses face genuine difficulty in absorbing any additional costs as opposed to their larger chain counterparts (such as Coles and Woolworths), and they struggle to maintain viability when faced with increased costs.
6. MGA TMA submits that there have been damaging effects from the pandemic over the last several months. Even though there is considerable optimism currently, arising from a recent increase in employment and the arrival of the long-awaited vaccines, there have been significant losses and there is still a long road to full recovery. MGA/TMA will therefore be opposing the Secure Work Pilot Scheme as it will add to the already costly environment that small independent business owners currently face. Cost increases, like those imposed in the Scheme would severely damage the continuing viability of many small businesses as they grapple with the recovery process.

HARDSHIPS FACED BY SMALL BUSINESS COMMUNITIES

7. This submission, presented on behalf of MGA/TMA, is intended to present the Victorian Government with facts, evidence and data that demonstrate the need for the Scheme to be scrapped, or to be permanently funded by a source other than small business owners if the independent retail sector is to survive. This division of retail consisting of mainly small, family-owned businesses employs thousands of employees in both city and regional areas all over the country and collectively they make a vital contribution to the Australian economy.
8. Independent retailers are resilient and have survived the difficulties of engaging in business despite the recent significant wage increases of 11.55% during the period 2017-2020 and the recent 2.5% increase recently imposed from 1 July 2021, they have survived the threats of

competition even against their biggest rivals, that have grown in number over the last few years. They have faced threats from many sources, but they have managed to remain viable despite these obstacles. Small businesses service their local communities, they purchase product from local growers and generally regard themselves as important contributors to the retail industry despite their size. More recently they, like many other businesses, have had to deal with the impact of the coronavirus. Many independent retailers have managed to survive but others have not been so lucky.

9. The small business community has undergone considerable strain during the last 1-2 years. The year of 2020 started off with massive destructive bushfires which were followed by a worldwide pandemic of grave proportions. It was a question of coping with a range of factors from the fear of business losses and possible store closure to managing the fear that employees have experienced as they witnessed the spread of the disease. It is acknowledged that most businesses have survived although some have not been so fortunate.
10. Despite the setbacks that have occurred, the outlook is promising in the long term. However, recovery at this stage does not mean a massive step forward to huge profit making or an overwhelming increase in the number of jobs. What it does mean is some semblance of resuming the struggle to improve the business and provide sufficient work to current staff, with the hope of better times ahead.
11. One major disadvantage for small grocery, liquor and hardware businesses is the use of online shopping that has not been, in most cases, an easily available resource. Many larger retail stores have been operating their online grocery businesses for years, but unfortunately smaller retailers and businesses have not had that luxury. There is a considerable cost to establishing and maintaining an on-line shopping service and, although subject to the size of the store, even if it was a viable option, the cost to a business may be simply unviable.
12. Independent businesses are small in comparison to the larger chains such as their competitors, Coles, Woolworths, Aldi and bigger liquor stores that are owned by the bigger supermarkets. Small hardware stores also compete with larger businesses such as Bunnings. However, despite the combined market strength of the bigger supermarkets, together with the likes of Amazon and Costco, the small independent supermarkets liquor stores and hardware businesses continue their endeavours to combat their combined market power.
13. MGA/TMA acknowledges that there are some members that have managed to cope with the virus

in their local communities better than others and have been able to maintain their businesses reasonably well. These independent businesses are generally larger, and they are firmly ensconced in their local communities and command a loyal customer base. However, a smaller independent retailer's efforts of trying to retain a position in the current marketplace, is made more difficult if there are continuous additional increases to costs at levels which are to them beyond their ability to maintain. The Scheme proposed by the Victorian Government will only add to the compiling costs that small business retailers face.

14. MGA/TMA recently conducted a survey of members to establish the impact of the pandemic on their businesses¹ and it was clear that many are struggling to survive with one member stating that he and his wife had not made any profit in over four years and another stating that they had reduced staff numbers and simply used their families for no payment. Subject to the location and size of the store these situations are recorded evidence of the struggle that is being experienced not just by one small business but by many. Having successfully come through the pandemic so far, more time is desperately needed before any additional costs to the small business's community are imposed and MGA/TMA submits that relief from any significant additional costs should be a serious consideration. Having worked at the forefront of a worldwide pandemic since 2020 small retailers are hopeful that there is an opportunity to recover and grow businesses once more. Unless that happens, many will simply not survive.
15. As we approach the remainder of 2021 there will be an opportunity to overcome, or at least combat the virus with the distribution of the available vaccines. This significant and imminent step forward in the battle to overcome the disease will spur communities on to help restore their previous lives and enable growth. Until that time employers and employees must be enabled to cope with these current difficulties, and jobs must be maintained as best they can be, therefore the Scheme, it is submitted, should not be implemented.
16. It was anticipated that because of the pandemic that the economy would be plunged into a hopeless economic state for years to come but that has been proven incorrect and there is some hope for a faster recovery than was anticipated. However, despite this recently emerged optimism, we still have a long road to full recovery and MGA/TMA submits that more time for full recovery is needed before any significant increases to costs are incurred by small business retailers.

¹ MGA Survey February 2021.

THE SECURE WORK PILOT SCHEME

17. MGA/TMA notes that the Scheme will allow casual employees to be entitled to 5 days of paid personal leave per year whilst maintaining their 25% casual loading.
18. MGA/TMA submits that whilst the Victorian Government will fund the initial Secure Work Pilot scheme, any ongoing Scheme will be subject to an industry levy, which will be a further additional cost that the small business community cannot afford.
19. The objective of the Scheme is to address insecure and casual work. However, if the small business community must incur a levy on top of their already expanding business costs, in the midst of a worldwide pandemic, the small business owners will have no choice but to reduce staff numbers in order to stay afloat. In turn, this will work against the objective of the Scheme, by forcing small business employers to either make staff redundant or reduce the hours offered to them, resulting in less secure work for individuals employed in the retail sector.
20. Moreover, the Scheme incentivises casual employment as individuals will no longer be faced with choosing between a 25% loading as a casual employee or paid personal leave as a permanent employee. If the Scheme is introduced, it will incentivise individuals to remain as casual employees, or encourage permanent employees to alter their employment type to casuals in order to be the beneficiary of a 25% loading and paid personal leave.
21. This Scheme goes against the current changes to the Federal industrial relations framework which has recently seen the inclusion of the following, which incentivises permanent employment in Australia:
 - a. The General Retail Industry Award 2020 has been amended to include part time flexibility, allowing part-time employees to work additional hours above their agreed number of hours without being entitled to overtime rates, as they previously had been.
 - b. The *Fair Work Act 2009* (Cth) has been amended to include a pathway for casual conversion in the National Employment Standards. This amendment requires certain businesses in certain circumstances to invite casual employees to convert their employment to part-time or full time.
 - c. The *Fair Work Act 2009* (Cth) was recently amended to include 'double dipping' provisions which put an end to casual employees claiming both a 25% casual

employment loading and paid entitlements, such as paid personal leave.

22. MGA/TMA submits that the Scheme's objective is to aid in making employment secure, however, it is working against the Federal Government's initiative to incentivise part-time employment by instead incentivising casual employment.

CONCLUSION

23. It should also be remembered that the costs of doing business has continued to exponentially increase during the last several years, and needed to be maintained throughout the pandemic, resulting in further expenses for a small business.

24. Independent small and medium businesses are a highly significant value to the Australian economy and to the communities in which they operate. Particularly, they are a key gateway to employment for millions of Australians which is significant, given the levels of unemployment amongst young Australians who, as an age group, are predominantly employed in award-reliant retail businesses.

25. MGA/TMA urges the Victorian Government not to impose the Scheme in the retail industry during the recovery process and allow time for the independent retail supermarket and timber and hardware businesses to fully recover and lay the foundations for better years ahead. Moreover, if the Scheme was to be ongoing, the costs should be funded by the Victorian Government, rather than imposing a significant cost onto the Small Business retailers who are already struggling to remain afloat.



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